

**COWLEY COUNTY COMMUNITY COLLEGE  
AND AREA VOCATIONAL-TECHNICAL SCHOOL**

**Financial Statements  
With  
Independent Auditor's Report**

**June 30, 2011**

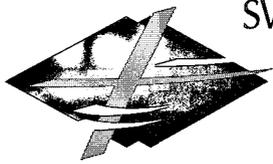
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SWINDOLL  
JANZEN  
HAWK &  
LOYD, LLC

Celebrating  
Our **75<sup>th</sup>**  
Anniversary  
1936 - 2011

B. Carver Swindoll, CPA  
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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

### Board of Trustees

Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas

We have audited the accompanying financial statements of the Cowley County Community College and Area Vocational School (College) and its discretely presented component unit as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Cowley County Community College Endowment Association were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and of its discretely presented component unit as of June 30, 2011, and the respective changes in the financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The individual fund financial statements are presented for purposes of an additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC

December 15, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the Cowley County Community College annual financial report is provided for readers of the financial statements for the fiscal year ended June 30, 2011.

The College has implemented a new reporting format for fiscal year 2011. The College also implemented a new reporting format for fiscal year 2003, with significant changes in content and structure occurring each time. Because of these changes, much of the information in this document is not easily comparable to years prior and no prior year information is presented in these statements. The College feels the new reporting format will be more familiar to the end users of this report and provide more complete information going forward.

### *Overview of the Financial Statements*

The basic financial statements include the following components: College-wide financial statements, including the Cowley County Community College Endowment; notes to the financial statements; required supplementary information; supplementary information, including individual fund statements; and the single audit section related to compliance with federal award guidelines. Further detail concerning the component unit can be obtained from the Cowley County Community College Endowment Association.

The first statement included is the Statement of Net Assets. This statement is divided into two columns: Cowley County Community College and the College's component unit, Cowley County Community College Endowment. This statement (in summary) lists the assets owned by the College, liabilities for which the College is responsible, and the net of the two. This combined statement is supported by Note 3 (Cash and cash equivalents plus Restricted cash and cash equivalents); Note 4 (Capital assets); Note 5 (Compensated absences payable, Other postemployment benefits payable, and Certificates of Participation); and the detail statements for each fund as included in the Supplementary Information.

Of note, the College was required to implement GASB 45 during FY2009. As a result, a new liability, "Other Post-Employment Benefits" was created and is shown in the Noncurrent liabilities section and detailed in Note 8 and in the Required Supplementary Information section. Also of note, with the change in formatting, new receivables for students and WATC have been added to both Current and Noncurrent Assets.

For both assets and liabilities, current is defined as "within one year", while non-current would refer to anything longer than one year.

The second statement, again divided into the two columns, is the Statement of Revenues, Expenses, and Changes in Net Assets. This statement shows revenues and expenditures for the College and the Endowment. Operating Revenues are those associated with exchanges with students, commonly tuition and sales such as books. Federal sources include grants to students such as Pell Grants, SEOG, and Federal Work Study.

Nonoperating Revenues include all revenues that are not exchange based such as the state operating grant and property taxes. This statement is supported by the detail statements for each fund as included in the Supplementary Information.

The most definitive line to determine "profit or loss" is the Net increase (decrease) in net assets line, in this case a positive net change of \$1,302,676 for the College and \$1,184,236 for the Endowment.

For purposes of this statement, other auxiliary enterprises include cosmetology, wellness center, and athletic scholarships.

The final major statement included is the Statement of Cash Flows. This report does not reflect profit or loss, but rather changes in cash and cash equivalents. The last section of this statement reconciles the change in operating cash to the net operating loss.

#### *Comparative Financial Information*

As noted in the introduction, comparative information for the current and prior years is not presented in these statements due to the change in reporting format. However, comparative analysis will be provided in future years as information is available.

With that, the FY2009 Net increase in net assets for the College was \$1,523,323 and the FY2010 Net increase in net assets was \$1,612,729 as compared to \$1,302,676 for FY2011. Total assets increased from \$40,204,129 in FY2009, to \$41,648,142 in FY2010, to \$44,752,522 in FY2011 including a prior period adjustment of \$3,107,972 due to changes in accounting method/presentation for receivables and capital assets/depreciation. The prior period adjustment is discussed in detail in Note 13.

#### *Analysis of the College's Overall Financial Position and Results of Operations*

As noted on the detail statement for the General Fund, the College has an Unencumbered Cash Balance in the General Fund (the main operations fund for the College) of \$8,300,664. This represents cash available to continue operations in the event of a total loss of all revenue sources. As a ratio, the Unencumbered Cash Balance equals 44% of the funds expended for the year. This percentage is widely viewed as a healthy cash balance, putting the College in a strong financial position. This reserve is being maintained as a buffer to offset anticipated continued decreases in state-sourced funds and is forecasted to remain fairly constant over the next two to three years.

### *Analysis of Balances and Transactions of Individual Funds*

In an analysis of the individual funds, the following explanations are provided: General Fund-Revenues totaled \$18,845,975 for FY2011 as compared to \$18,107,288 in FY2010. Student sources and state sources were both up as expected, with other sources significantly down due largely to the difference in planned payments from WATC (discussed more completely later). Expenditures totaled \$18,720,648 as compared to FY2010 of \$17,319,842. While some increase was seen in most categories related mostly to wage increases, the primary increase in expenditures, \$937,308, was in the area of operation and maintenance and had to do with the purchase and subsequent remodeling of the new dorm facility (discussed later). In total, \$125,377 in cash carryover was added to the fund balance for the General Fund. As noted above, the cash position of the College is very healthy.

In the current year, the Adult Education Fund, Adult Supplemental Education Fund, Motorcycle Driver Safety Fund, Housing Fund, Wellness Center Fund, and Capital Outlay Fund all showed an increase in Unencumbered cash for the fiscal year. While most are insignificant changes, the \$250,015 change in the Housing Fund is a requirement to meet the bond covenants associated with past dorm construction.

The Bookstore Fund, Cosmetology Fund, and Special Assessments Fund all showed a negative change to Unencumbered cash. The negative change in the Bookstore Fund resulted from a transfer of accumulated earnings to capital projects for the College as detailed below. The change in the Cosmetology Fund was a use of accumulated earnings to upgrade equipment within the program. The negative change related to the Special Assessments Fund is a planned decrease as the mill levy for special assessments has been discontinued and the balances due are being paid from cash accumulated in this fund. This fund will be eliminated in future years.

### *Analysis of Significant Budgetary Variations*

In budgeting for operations, the College strives to under-forecast revenues and over-forecast expenditures, and this practice is reflected in the variances from budget as noted in each fund. While the expenditure budgets may seem extravagant in some cases, the College spending is limited by the published budget. In a year when unexpected revenue becomes available and opportunities present themselves, the College needs the flexibility to react. FY2011 is a perfect example as the College had the means to purchase and renovate a facility for additional dorm space.

### *Significant Capital and Long-term Debt Activity*

As described in the Notes to the Financial Statements (Note 5), the College issued \$2,660,000 in new Certificates of Participation in conjunction with the construction of an indoor athletic training center, discussed below. Debt outstanding at June 30, 2011 was \$11,915,000, an increase of \$1,300,000 from the previous year ending balance of \$10,615,000. Payments on this debt will not significantly impact future expenditures as the Certificates of Participation issued for the Brown Center will pay off in FY2012.

### *Significant Changes in Infrastructure Assets*

City Ball Park was deeded to the College by the City of Arkansas City in 2009. With the adjoining Track and Field Complex, and the addition of properties adjoining the track facility, the College elected to expand the facilities in the area and in November 2010 began construction of a \$3.4 million indoor athletic training facility. The building was substantially completed in November 2011.

In June 2011, the College was approved to purchase a former nursing home facility in the community and convert it to dormitory space. This project was completed in mid August 2011.

While neither of these projects were completed in FY2011, practically all expenditures for both facilities were recognized in FY2011.

### *Currently Known Facts or Conditions*

As of May 1, 2008 and July 1, 2008, the College transferred the operations of the Aviation Tech Center and the Southside Education Center, respectively, to Wichita Area Technical College. In return for this transfer, WATC purchased all equipment at both facilities through a payment schedule totaling \$5,000,000. Originally scheduled as \$1,000,000 on June 30, 2009 and \$2,000,000 each on June 30, 2010 and June 30, 2011, the payment schedule has been modified as follows: \$1,000,000 on June 30, 2009; \$500,000 each on June 30, 2010, June 30, 2011, and June 30, 2012; \$1,000,000 each on June 30, 2013 and June 30, 2014; and \$500,000 on June 30, 2015. The first three payments have been received and it is now anticipated that the remaining payments will be made according to the modified agreement.

Historically the College receives nearly 40% of its General Fund revenue from the State of Kansas. In prior years this has come in the form of an operating grant. Beginning in FY12, that grant has been separated into two parts, one part for technical education, the other part for non-technical education. The division of the grants and the distribution of the grants to the various colleges is based on a cost model for education managed by the Kansas Board of Regents. For FY2012, the legislature did not appropriate enough money to fully fund the cost model. With that, it was agreed that all colleges would receive the same funds as they did in the prior fiscal year, less any cuts to state appropriations shared proportionally. The volatility of that source of funding is an ongoing concern as the agreement that forged the change will require the distribution to be "re-centered" in FY2014. At this point in time, re-centering has not been defined and the various institutions can only speculate as to what the impact might be absent additional funds.

The College remains party to a lawsuit with the Kansas Board of Regents listed as defendants to the suit. The suit alleges that the distribution of funds by the Board of Regents for technical education was historically incorrect, thereby impacting the current distribution. While the College has received tentative agreement from judicial proceedings, no changes in distribution have been agreed to or received to date.

For the College,

Tony Crouch  
Executive Vice President of Business Services

December 15, 2011

## BASIC FINANCIAL STATEMENTS

**Cowley County Community College**

**Statement of Net Assets  
June 30, 2011**

	<u>Cowley County Community College</u>	<u>Component Unit CCCC Endowment</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,077,927	\$ 49,406
Restricted cash and cash equivalents (bond proceeds)	1,229,308	-
Investments	-	1,952,228
Receivables - federal and state grants and contracts	1,075,612	-
Receivables - students (net of allowance of \$140,000)	419,939	-
Receivables - WATC	500,000	-
Receivables - other	789,273	-
Inventories	372,874	16,154
Total current assets	<u>17,464,933</u>	<u>2,017,788</u>
<b>Noncurrent Assets</b>		
Investments	-	2,152,504
Receivables - students (net of allowance of \$1,260,000)	979,756	-
Receivables - WATC	2,500,000	-
Receivables - other	-	11,409
Capital assets, net of accumulated depreciation	23,639,072	48,590
Bond costs, net of accumulated amortization	168,761	-
Beneficial interest in trusts	-	441,419
Total noncurrent assets	<u>27,287,589</u>	<u>2,653,922</u>
<b>TOTAL ASSETS</b>	<u>\$ 44,752,522</u>	<u>\$ 4,671,710</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,305,770	\$ -
Deposits held in custody for others	1,620,504	-
Accrued interest payable	171,699	-
Compensated absences payable	151,055	-
Revenue bonds, net of accumulated amortization of bond premiums	694,262	-
Certificates of Participation	725,000	-
Total current liabilities	<u>5,668,290</u>	<u>-</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable	5,412	-
Other postemployment benefits payable	702,008	-
Revenue bonds, net of accumulated amortization of bond premiums	5,841,654	-
Certificates of Participation	4,545,000	-
Total noncurrent liabilities	<u>11,094,074</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>16,762,364</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	12,436,066	-
Restricted for:		
Nonexpendable - endowments	-	2,293,178
Expendable:		
Capital outlay and construction	154,840	-
Restricted funds	176,431	2,378,532
Revenue bond debt retirement	964,061	-
Unrestricted	14,258,760	-
Total net assets	<u>27,990,158</u>	<u>4,671,710</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 44,752,522</u>	<u>\$ 4,671,710</u>

The accompanying notes are an integral part of these financial statements.

**Cowley County Community College**

**Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2011**

	<u>Cowley County Community College</u>	<u>Component Unit CCCC Endowment</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 7,631,385	\$ -
Less allowances for institutional scholarships	(101,484)	-
Less allowances for federal grants	(3,323,732)	-
Net student source revenue	4,206,169	-
Federal sources	9,319,632	-
State sources	117,541	-
Auxiliary enterprises:		
Residential life (revenues are used as security for revenue bond series 2004)	1,978,576	-
Campus store (net of sales discounts of \$441,862)	1,794,997	-
Other auxiliary enterprises	565,500	-
Other operating revenues	287,680	158,434
Total operating revenues	<u>18,270,095</u>	<u>158,434</u>
<b>OPERATING EXPENSES</b>		
Educational and General:		
Instruction	7,698,195	-
Academic support	597,338	-
Student services	2,745,940	-
Institutional support	2,353,194	521,386
KPERS contribution paid directly by the State of Kansas	854,732	-
Operations and maintenance of plant	3,269,947	-
Depreciation and amortization	1,466,904	-
Scholarships and grants	6,555,713	-
Auxiliary Enterprises:		
Residential life	1,291,180	-
Campus store	1,553,896	-
Other auxiliary enterprises	674,013	-
Total operating expenses	<u>29,061,052</u>	<u>521,386</u>
Operating income (loss)	<u>(10,790,957)</u>	<u>(362,952)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	6,414,729	-
State contribution directly to the KPERS retirement system	854,732	-
Local sources	4,938,433	-
Private grants and gifts	-	944,689
Loss on disposal of capital assets	(42,447)	-
Investment income	148,064	602,499
Interest on capital asset-related debt	(439,126)	-
Net nonoperating revenues (expenses)	<u>11,874,385</u>	<u>1,547,188</u>
Income before other revenues	1,083,428	1,184,236
Capital grants and gifts	219,248	-
Net increase (decrease) in net assets	<u>1,302,676</u>	<u>1,184,236</u>
<b>NET ASSETS</b>		
Net assets - beginning of year	23,579,540	3,487,474
Prior period adjustment	3,107,942	-
Net assets - end of year	<u>\$ 27,990,158</u>	<u>\$ 4,671,710</u>

**Cowley County Community College**

**Statement of Cash Flows  
For the Year Ended June 30, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees		\$ 4,158,392
Grants and contracts		18,174,606
Sales and services of auxiliary enterprises		4,339,073
Other receipts		618
Payments to employees for salaries and benefits		(12,872,260)
Payments to suppliers		(13,306,731)
Loans issued to students		(9,724,244)
	Net cash provided (used) by operating activities	<u>(9,230,546)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations		6,414,729
County and local appropriations		4,938,433
	Net cash flows provided (used) by noncapital financing activities	<u>11,353,162</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets		(3,234,379)
Proceeds from debt		2,660,000
Principal paid on debt and capital lease		(1,360,000)
Interest paid on debt and capital lease		(426,255)
Capital gifts and grants		219,248
Payments for debt issue costs		(27,068)
	Net cash provided (used) by capital and related financing activities	<u>(2,168,454)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments		148,064
	Net cash provided (used) by investing activities	<u>148,064</u>
	Net increase (decrease) in cash and cash equivalents	102,226
Cash and cash equivalents - beginning of year		<u>14,205,009</u>
Cash and cash equivalents - end of year		<u>\$ 14,307,235</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss		\$ (10,790,957)
Depreciation and amortization expense		1,466,904
Changes in operating assets and liabilities:		
Receivables, net		(1,594,145)
Inventories		10,979
Accounts payable and accrued expenses		689,484
Accrued employee benefits		(140,037)
Deposits held in custody for others		272,494
Employee benefits paid directly by State of Kansas		854,732
	Net cash used in operating activities	<u>\$ (9,230,546)</u>

The accompanying notes are an integral part of these financial statements.

# COWLEY COUNTY COMMUNITY COLLEGE AND AREA VOCATIONAL-TECHNICAL SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cowley County Community College and Area Vocational-Technical School is a community college and a vocational/technical school. With more than 70 majors and degree possibilities, the College prepares students to transfer to a four-year program or to enter the workforce with a two-year job-ready degree.

The accounting and reporting policies of the College relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### *(a) Reporting Entity*

The College is a special-purpose government that is governed by a Board of Trustees elected by the voters of Cowley County, Kansas. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the College (the primary government) and its discretely presented component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its financial relationship with the College. The financial data of the College's component unit is discretely presented in a separate column to emphasize that it is a legally separate entity.

Cowley County Community College Endowment Association (Endowment) is a legally separate, tax-exempt component unit of the College. The Endowment acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Endowment, the majority of resources, or income thereon, that the Endowment holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Endowment can only be used by, or for the benefit of, the College, the Endowment is considered a component unit of the College and is discretely presented in the College's financial statements. For financial reporting purposes only the Endowment's statements of financial position and activities are included in the College's financial statements as required by generally accepted accounting principles for public colleges and universities.

For financial reporting purposes, the Endowment follows the provisions of the Financial Accounting Standards Board (FASB) which establish the financial reporting standards for all nonprofit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Endowment's financial information. Complete financial statements for the Endowment can be obtained from the Endowment's business office.

#### *(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned, and expenses are recorded when an obligation has been incurred. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. All significant inter-fund transactions have been eliminated.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)***

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless these pronouncements conflict with Governmental Accounting Standards Board pronouncements. The College has elected not to apply FASB pronouncements issued after the applicable date.

The College does not present budgetary comparison information in the basic financial statements or as required supplemental information. This is because the College reports as a business-type activity and does not have the reporting requirements related to major funds. The College does present budgetary comparison information in the supplementary information to these financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses. Accordingly, actual results could differ from those estimates.

***(c) Assets, Liabilities, and Equity***

**Deposits and Investments**

Kansas Statute 12-1675 authorizes the College to invest monies in time deposits, certificates of deposits, repurchase agreements consisting of obligations insured by the U.S. government or any agency thereof, U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool. Investments are reported at fair value based on quoted market prices.

Cash resources of the individual funds (except for any proceeds of revenue bonds, which are separately invested) are combined to form a pool of cash and temporary investments that are managed by the College. Investments of the pooled accounts consist primarily of certificates of deposits. Interest income earned is allocated to various funds based upon statutory guidelines.

Cash maintained in escrow accounts specifically designated for bond repayments and reserves are classified as restricted cash.

For purposes of the statement of cash flows, the College considers all investments with original maturities of one year or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students, amounts due from the federal, state, and local governments in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts, and other receivables. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories**

Inventories of the campus store are stated at the lower of cost or market, cost being determined principally on the basis of average cost. Campus store inventories consist of books, clothing, and supplies. Inventories have been adjusted for obsolete merchandise. They are recorded as expenditures when consumed rather than when purchased.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(c) Assets, Liabilities, and Equity (Continued)***

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than three years. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed on assets having a value of more than \$5,000 using the straight-line method over the estimated useful lives of the assets. Depreciation is not allocated to the various functions of the College but is reported separately on these financial statements.

Estimated useful lives used for calculating depreciation are as follows:

Buildings and improvements— 20 to 30 years  
Equipment and furniture – 5 to 15 years

**Federal Financial Assistance Programs**

Federal programs are audited in accordance with the U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations.

**Compensated Absences Payable**

Employee vacation and sick leave pay is accrued at year-end for financial statement purposes. The liability is recorded in the statement of net assets and a related expense is recorded in the statement of revenues, expenses, and changes in net assets.

For vacation pay, the amount is based on leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year.

Unused sick leave is accumulated up to a specified maximum number of days. Upon separation from the College, the compensation is for one-half of the accumulated sick leave to a maximum of one hundred days paid at rate of current pay, (1/21 of monthly salary or hourly rate).

**Noncurrent Liabilities**

Noncurrent liabilities include (1) principal amounts of bonds payable; and (2) estimated amounts for the compensated absences and other postemployment benefits not anticipated to be paid within the next fiscal year.

**Net Assets**

The College's net assets are classified as follows:

*Invested in capital assets, net of related debt* – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

*Restricted net assets – nonexpendable* – Restricted nonexpendable net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(c) Assets, Liabilities, and Equity (Continued)*

*Net Assets (Continued)*

*Restricted net assets – expendable* – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net assets* – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

*Use of Restricted / Unrestricted Net Assets*

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and the remaining balance towards unrestricted resources.

*Classification of Revenues*

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts.

*Nonoperating revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state and county appropriations and investment income.

*Scholarship Allowances*

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. Scholarship allowances are the differences between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as PELL, Supplemental Educational Opportunity Grants (SEOG), and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

*Property Tax Information*

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing Kansas statutes. Consequently, current year property taxes receivable which are not available as a resource that can be used to finance the current year operations of the College are offset by deferred revenue for control purposes. A sixty-day period is used for revenue recognition.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***(c) Assets, Liabilities, and Equity (Continued)***

**Property Tax Information (Continued)**

The County Appraiser is responsible for assessment of all taxable property within Cowley County. The County Clerk computes the annual tax and issues the tax bills to all taxpayers. Property taxes are collected by the County Treasurer, who remits to the College its respective share of the tax collections. Property taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full, or in two installments. The installment dates are December 20 and May 10.

***(d) Change in Accounting Principle***

During the fiscal year June 30, 2011, the College changed their method of financial statement presentation to follow GASB 35 *Basic Financial Statements – Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No 34*. GASB 35 brought public colleges and universities under the GASB 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* model. It also allows colleges to report their entire entity as a special-purpose business type activity. The College has elected to report their entire entity as a special-purpose business type activity.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***(a) Budgetary Information***

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the statutory basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year-end.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**(a) Budgetary Information (Continued)**

A legal operating budget is not required for current restricted funds, capital project funds, trust funds, loan funds, and some special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**(b) Cash-Basis Law (KSA 10-1113)**

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. In accordance with Kansas Statute 12-1663, some sub-funds of the Restricted Funds have a negative unencumbered cash balance at June 30, 2011, and will be reimbursed from federal grants, state grants, and other contracts for expenditures already incurred by the College. This combined receivable has been recognized for GAAP purposes on these financial statements.

**3. DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the College had cash and cash equivalents as listed below:

Deposits in financial banking institutions	\$ 7,987,927
Certificates of deposit	<u>5,090,000</u>
Total cash and cash equivalents	<u>13,077,927</u>
Deposits in financial banking institutions – bond proceeds	<u>1,229,308</u>
Total restricted cash and cash equivalents	<u>1,229,308</u>
Combined cash and cash equivalents	<u>\$ 14,307,235</u>

The College did not have any activity in investment-type assets.

The College's policies relating to deposits and investments are governed by various Kansas Statutes (KSA). Those statutes specify the type of deposits and investments as well as the securing of those deposits and investments.

*Interest rate risk* – In accordance with Kansas Statute 12-1675, the College manages its exposure to interest rate fluctuations by limiting all time investments to maturities of less than two years.

*Credit risk* – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675. The College's practice is to place idle funds in certificates of deposits and United States obligations.

*Custodial credit risk* – The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Kansas Statutes 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. As of June 30, 2011, the College was not exposed to custodial credit risk with its deposits or investments.

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of credit risk* – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The College manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area.

*Component unit* – Investments of the Cowley County Community College Endowment Association consists of stocks, bond notes, and mutual funds. These types of investments are not regulated by Kansas Statutes. These investments are subject to all normal market risks.

**4. CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2011:

	Beginning Balance	Prior Period Adjustment	Increases	(Decrease) Adjustments	Ending Balance
<b>Non-depreciable capital assets:</b>					
Land	\$ 2,147,370	\$ 38,065	\$ 75,411	\$ -	\$ 2,260,846
Books	898,969	(898,969)	-	-	-
Construction in progress	-	-	2,426,106	-	2,426,106
Total non-depreciable capital assets	<u>3,046,339</u>	<u>(860,905)</u>	<u>2,501,517</u>	<u>-</u>	<u>4,686,952</u>
<b>Depreciable capital assets:</b>					
Buildings and improvements	35,957,080	(137,191)	53,920	-	35,873,809
Equipment	<u>8,222,315</u>	<u>(6,392,778)</u>	<u>679,572</u>	<u>(138,205)</u>	<u>2,370,904</u>
Total depreciable capital assets	<u>44,179,395</u>	<u>(6,529,969)</u>	<u>733,492</u>	<u>(138,205)</u>	<u>38,244,713</u>
<b>Less accumulated depreciation:</b>					
Buildings and improvements	(15,014,044)	(1,199,887)	(1,195,795)	-	(17,409,726)
Equipment	<u>(8,734,215)</u>	<u>6,986,622</u>	<u>(231,032)</u>	<u>95,758</u>	<u>(1,882,867)</u>
Total accumulated depreciation	<u>(23,748,259)</u>	<u>5,786,735</u>	<u>(1,426,827)</u>	<u>95,758</u>	<u>(19,292,593)</u>
Total depreciable capital assets (net)	<u>20,431,136</u>	<u>(743,234)</u>	<u>(693,335)</u>	<u>(42,447)</u>	<u>18,952,120</u>
Total capital assets, net	<u>\$ 23,477,475</u>	<u>\$ (1,604,139)</u>	<u>\$ 1,808,182</u>	<u>\$ (42,447)</u>	<u>\$ 23,639,072</u>

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**5. LONG-TERM LIABILITIES**

The following is a summary of long-term liability transactions for the year ended June 30, 2011:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Current Portion
Certificates of participation					
Student services	\$ 2,255,000	\$ -	\$ 245,000	\$ 2,010,000	\$ 250,000
Refunding certificate - Brown Center	430,000	-	295,000	135,000	135,000
Refunding certificate - track	605,000	-	140,000	465,000	155,000
Refunding certificate - Indoor Sports Facility	-	2,660,000	-	2,660,000	185,000
Revenue Bonds					
Dorm system refunding	2,740,000	-	510,000	2,230,000	530,000
Dorm revenue	4,585,000	-	170,000	4,415,000	180,000
Compensated absences	504,190	14,019	361,742	156,467	151,055
Post employment healthcare	494,322	261,051	53,365	702,008	-
Total long-term liabilities	<u>\$ 11,613,512</u>	<u>\$ 2,935,070</u>	<u>\$ 1,775,107</u>	<u>\$ 12,773,475</u>	<u>\$ 1,586,055</u>

The revenue bonds will be paid through the revenues generated from the Dormitory activities. The compensated absences and the postemployment healthcare benefits are generally liquidated by the General Fund. The certificates of participation will be paid through revenues generated through the various auxiliary enterprise funds and the general fund.

**(a) Student Services/Gymnasium**

The College issued the Student Services Center and Gym, Certificates of Participation Series A, 2004. The original issue amount was \$3,550,000, due in annual principal installments ranging from \$250,000 to \$325,000 through year 2018. Interest rate is 3.50%.

The annual debt service requirements for the Student Services/Gymnasium are as follows:

Year Ending	Principal	Interest	Total
6/30/2012	250,000	70,350	320,350
6/30/2013	265,000	61,600	326,600
6/30/2014	275,000	52,325	327,325
6/30/2015	285,000	42,700	327,700
6/30/2016	300,000	32,725	332,725
6/30/2017-2018	635,000	33,600	668,600
Total	<u>\$ 2,010,000</u>	<u>\$ 293,300</u>	<u>\$ 2,303,300</u>

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**5. LONG-TERM LIABILITIES (Continued)**

***(b) Refunding – Brown Center***

The College issued the Refunding – Brown Center, Certificates of Participation, Series B, 2004. The original issue amount was \$1,930,000, due in annual principal installments of \$135,000 through year 2012. Interest rate is 2.80%.

The annual debt service requirements for the Refunding – Brown Center are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2012	\$ 135,000	\$ 3,780	\$ 138,780
Total	<u>\$ 135,000</u>	<u>\$ 3,780</u>	<u>\$ 138,780</u>

***(c) Refunding - Dorm***

The College issued the Refunding Bond Series 2004 Revenue Bonds. The original issue amount was \$4,335,000, due in annual principal installments ranging from \$530,000 to \$580,000 through year 2015. Interest rates vary from 3.875% to 5.0%. The bonds are secured by the net revenues of the Dormitories and Nelson Student Center.

The annual debt service requirements for the Refunding - Dorm are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2012	\$ 530,000	\$ 94,386	\$ 624,386
6/30/2013	555,000	67,886	622,886
6/30/2014	565,000	46,380	611,380
6/30/2015	580,000	23,780	603,780
Total	<u>\$ 2,230,000</u>	<u>\$ 232,432</u>	<u>\$ 2,462,432</u>

***(d) Dorm Revenue***

The College issued the Dormitory System Revenue Bonds Series 2007. The original issue amount was \$4,825,000, due in annual principal installments ranging from \$180,000 to \$360,000 through year 2028. Interest rates vary from 4.00% to 4.40%. The bonds are secured by the net revenues of the Dormitories and Nelson Student Center.

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**5. LONG-TERM LIABILITIES (Continued)**

***(d) Dorm Revenue (Continued)***

The annual debt service requirements for the Dorm Revenue are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/12	\$ 180,000	\$ 185,299	\$ 365,299
06/30/13	190,000	177,205	367,205
06/30/14	195,000	168,783	363,783
06/30/15	205,000	160,033	365,033
06/30/16	215,000	151,249	366,249
6/30/2017 - 6/30/2021	1,215,000	613,635	1,828,635
6/30/2022 - 6/30/2026	1,510,000	325,102	1,835,102
6/30/2027 - 6/30/2028	705,000	31,350	736,350
<b>Total</b>	<b>\$ 4,415,000</b>	<b>\$ 1,812,656</b>	<b>\$ 6,227,656</b>

***(e) Track Refunding***

The College issued the Track Refunding, Certificates of Participation Series A, 2008. The original issue amount was \$856,000, due in annual principal installments ranging from \$150,000 to \$160,000 through year 2014. Interest rate is 3.05%.

The annual debt service requirements for the Track Refunding are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2012	\$ 155,000	\$ 14,183	\$ 169,183
6/30/2013	150,000	9,455	159,455
6/30/2014	160,000	4,880	164,880
<b>Total</b>	<b>\$ 465,000</b>	<b>\$ 28,518</b>	<b>\$ 493,518</b>

***(f) Indoor Sports Facility***

The College issued the Student Union Indoor Sports Facility, Certificates of Participation Series A, 2011. The original issue amount was \$2,660,000, due in annual principal installments ranging from \$185,000 to \$255,000 through year 2023. Interest rates vary from 1.10% to 3.60%.

The annual debt service requirements for the Track Refunding are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2012	\$ 185,000	\$ 80,644	\$ 265,644
6/30/2013	205,000	63,205	268,205
6/30/2014	205,000	60,950	265,950
6/30/2015	210,000	58,080	268,080
6/30/2016	215,000	54,510	269,510
6/30/2017 - 6/30/2021	1,135,000	194,088	1,329,088
6/30/2022 - 6/30/2023	505,000	26,985	531,985
<b>Total</b>	<b>\$ 2,660,000</b>	<b>\$ 538,462</b>	<b>\$ 3,198,462</b>

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**5. LONG-TERM LIABILITIES (Continued)**

***(g) Revenue Bond Covenants***

The College is required to maintain certain covenants related to the revenue bonds. Specifics of these covenants are as follows:

- a. The 2004 and 2007 Revenue Bond covenants request specific financial information as follows:

	<u>Student Housing</u>
Revenue	\$ 1,821,244
Expenses for operation and maintenance	(1,577,524)
Adjustment	
Capital expenditures	2,300
Transfers	<u>483,600</u>
Net revenues	<u>\$ 729,620</u>

- b. The terms of the College's debt agreements require the information of the following accounts and other items. The balance shown in the reserve accounts meet the requirements of the above mentioned agreements.

	<u>Arts Building</u>	<u>2004 Revenue Bonds</u>	<u>2007 Revenue Bonds</u>	<u>Total</u>
Cash balances requirement:				
Principal and interest	\$ -	\$ 223,860	\$ 228,848	\$ 452,708
Reserve	85,000	-	368,430	453,430
Depreciation, maintenance, and improvement	<u>763,422</u>	<u>213,511</u>	-	<u>976,933</u>
	<u>\$ 848,422</u>	<u>\$ 437,371</u>	<u>\$ 597,278</u>	<u>\$ 1,883,071</u>

The above cash balances are shown as follows in the financial statements.

	<u>Arts Building</u>	<u>Revenue Bonds</u>	<u>Total</u>
Student Union and dormitory Facilities			
Reserved	\$ -	\$ 578,552	\$ 578,552
Unreserved	-	<u>213,511</u>	<u>213,511</u>
Total	<u>\$ -</u>	<u>\$ 792,063</u>	<u>\$ 792,063</u>
Reserve Funds:			
Reserved	\$ 85,000	\$ 242,586	\$ 327,586
Unreserved	<u>763,422</u>	-	<u>763,422</u>
Total	<u>\$ 848,422</u>	<u>\$ 242,586</u>	<u>\$ 1,091,008</u>
Total	<u>\$ 848,422</u>	<u>\$ 1,034,649</u>	<u>\$ 1,883,071</u>

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**5. LONG-TERM LIABILITIES (Continued)**

***(g) Revenue Bond Covenants (Continued)***

- c. The 2004 and 2007 Revenue Bond covenants request the number of users served by the Dormitory System (System). The number of users totaled 432.
- d. The 2004 and 2007 Revenue Bond covenants request information on insurance coverage for the System. Insurance is as follows:

<u>Character</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Annual Premium</u>
Building	\$16,272,170	04/03/2012	\$20,356
Personal property	1,380,885	04/03/2012	1,727

In addition to the above listing of insurance, the System is included in the College's general liability insurance coverage of \$1,000,000 (single occurrence) and the College's business income insurance coverage.

- e. The 2004 and 2007 Revenue Bond covenants request information on the Debt Service Coverage Ratio.

Revenue - Housing	\$ 1,821,244
Interest income - Dorm	<u>9,756</u>
Total revenue	<u>\$ 1,831,000</u>
Debt Service - Housing	<u>\$ 992,841</u>
Debt Service Coverage Ratio	<u>1.84</u>

- f. There is no information indicating arbitrage requirements have not been met.
- g. Continuing disclosure requirements have been met.
- h. All other significant requirements of the agreement have been met.

**6. OPERATING LEASE OBLIGATIONS**

The College leases certain facilities for its educational purposes. See below for descriptions of the various uses and the length of the operating lease. The related future rental payments are in the table below.

The Bloomenshine Center is used for operating classes, a student lounge, administrative offices and related educational activities. The operating lease has an option to renew the Lease for a term of three years at a time.

The operating lease of 242 Industrial Drive Mulvane is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew the Lease for terms extending one year at a time.

The operating lease of 101 Industrial Drive Mulvane is used for operating classes and related educational activities. The operating lease has an option to renew for an additional two years.

The operating lease of Retail Premises – 8821 E Pawnee Wichita is used for the sole and only purpose of conducting therein the business of the College. The operating lease has an option to renew for three additional years.

The operating lease of Crystal Pointe is used for the purpose of operation of a satellite college, and the provision of related services. The operating lease has an option to renew for an additional three year term.

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**6. OPERATING LEASE OBLIGATIONS (Continued)**

The operating lease of 410 E Main Mulvane is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew for an additional three years.

The future minimum lease payments are as follows:

	<u>Bloomenshine Center</u>	<u>242 Industrial Drive Mulvane</u>	<u>101 Industrial Drive Mulvane</u>
Year ending June 30,			
2012	\$ 120,000	\$ 32,736	\$ 6,450
2013	120,000	2,728	-
2014	131,000	-	-
2015	132,000	-	-
2016	132,000	-	-
2017 - 2021	143,000	-	-
	<u>\$ 778,000</u>	<u>\$ 35,464</u>	<u>\$ 6,450</u>

	<u>Retail Premises - 8821 E Pawnee Wichita</u>	<u>Crystal Pointe</u>	<u>410 E Main Mulvane</u>
Year ending June 30,			
2012	\$ 27,500	\$ 46,040	\$ 6,000
2013	-	46,040	72,000
2014	-	46,040	72,000
2015	-	-	72,000
2016	-	-	72,000
2017 - 2021	-	-	66,000
	<u>\$ 27,500</u>	<u>\$ 138,120</u>	<u>\$ 360,000</u>

**7. DEFINED BENEFIT RETIREMENT PLANS**

**Plan Description** - The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

**Funding Policy** - KSA 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired before July 1, 2009. After this date the rate changes to 6%. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes an average of 8.17% of covered payroll. These contribution requirements are established by KPERS and periodically revised. Kansas' contributions to KPERS for the College's employees for the years ending June 30, 2011, 2010 and 2009 were \$854,732, \$799,565 and \$727,386, respectively, equal to the required contributions for each year. The State of Kansas, not the College, is legally responsible for making employer contributions to KPERS. The payment made by the State of Kansas on behalf of the College's employees is recorded as revenue and as an expense on these financial statements.

**8. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB)**

**Plan Description** – The College sponsors a medical, prescription drug, dental benefits (healthcare benefits) to retired employees and their dependents under certain conditions. Coverage is provided through fully-insured contracts that collectively operate as a single-employer defined benefit plan. Qualifying retirees are those employees who are a full-time employee, participating in the group insurance plan prior to retirement, who retires after age 60 with at least 10 years of continuous full-time service with the College. Retirees may continue coverage with the College by paying the carrier premium rate. Coverage is available until Medicare eligibility (i.e. age 65) for each of the retirees and their spouses. Plan coverage is provided for under K.S.A. 12-0540. No separate financial report is issued for the Plan.

**Funding Policy** – The College provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). The benefits are paid from the general operating assets of the College on a pay-as-you-go basis. The contribution requirements of plan members and the College are established and may be amended by the Board of Trustees.

**Annual OPEB Cost and Net OPEB Obligation** – The College’s annual OPEB cost (expense) consists of Annual Required Contribution (ARC) plus Interest on Net OPEB Obligation minus Adjustment to ARC. The Annual Required Contribution is the employer’s periodic required contribution actuarially determined in accordance with the parameters of GASB Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The Interest on Net OPEB Obligation is the interest at the assumed investment return on the beginning of year Net OPEB obligation. The Adjustment to ARC is the amortization of the discounted present value of the balance of the beginning of year Net OPEB Obligation. The Net OPEB Obligation is the sum of the OPEB liability or cost already booked at transition to Statement 45 and the cumulative difference between the Annual OPEB Cost and the employer’s contributions to the OPEB plans since the effective date of Statement 45. The following table presents the components of the College’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College’s net OPEB obligation to the Plan:

Annual required contribution	\$ 261,051
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>261,051</u>
Contributions paid	<u>53,365</u>
Increase in net OPEB obligation	207,686
Net OPEB obligation - beginning of year	<u>494,322</u>
Net OPEB obligation - end of year	<u>\$ 702,008</u>

Schedule of Employer contributions (for fiscal year ended)

Fiscal Year Ended	Annual OPEB Cost	Net Employer Contributions	Net Percentage Contributed	End of Year Net OPEB Obligation
June 30, 2009	\$ 261,051	\$ 29,808	11%	\$ 231,243
June 30, 2010	\$ 261,051	\$ 2,028	1%	\$ 494,322
June 30, 2011	\$ 261,051	\$ 53,365	20%	\$ 702,008

**Funded Status and Funding Progress** – As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,502,502. The College’s policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,502,502. The covered payroll (annual payroll of active employees covered by the plan) was \$7,548,810, and the ratio of the UAAL to the covered payroll was 19.9%.

**8. OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will present in time, multiyear trend information about whether the actuarial value of plan assets (if any) is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
7/1/08	\$ -	\$ 1,502,502	\$ 1,502,502	0%	\$ 7,548,810	19.9%

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the July 1, 2008 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date and on the annual healthcare cost trend rates. The valuation assumed annual healthcare cost trend rate of 10.0 percent initially and an ultimate rate of 5.0 percent after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over 30 years on a level percent-of-pay, open period basis.

**9. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

**10. RELATED PARTY TRANSACTIONS BETWEEN THE COLLEGE AND ITS COMPONENT UNIT**

The Cowley County Community College Endowment Association paid \$187,778 in student scholarships during the current fiscal year.

The College provides administrative support, office space, and other services to the Cowley County Community College Endowment Association. The Endowment Association does not reimburse the College for expenses incurred.

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**11. CONTINGENT LIABILITIES**

The College receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims would not have a material effect on the financial statements.

The College is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the College would be covered by insurance and would not materially affect the College's financial position.

**12. SEGMENT INFORMATION**

The College issued revenue bonds to finance activities of its auxiliary enterprise funds. Investors in those bonds rely on the revenue generated by the individual activities for repayment. Descriptive information for the College's segment is listed below.

**Revenue Bonds Series 2004 and 2007**

**Student Union and Dormitory System Revenue Bonds - Series 2004 and 2007**

The revenues pledged to this Series 2004 and 2007 bonds consist of net revenues generated from the Dormitory system and the Union system of the College. The condensed financial information for this segment is as follows:

**Student Union and Dormitory System Revenue Bonds - Series 2004 and 2007**

**Condensed Statement of Net Assets**

Assets:	
Current assets	\$ 2,265,753
Capital assets, net	7,077,789
Total assets	<u>\$ 9,343,542</u>
Liabilities:	
Current liabilities	\$ 945,074
Long-term liabilities	5,935,000
Total liabilities	<u>6,880,074</u>
Net Assets:	
Invested in capital assets, net of related debt	1,305,098
Restricted	-
Unrestricted	<u>1,158,370</u>
Total net assets	<u>2,463,468</u>
Total liabilities and net assets	<u>\$ 9,343,542</u>

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**12. SEGMENT INFORMATION (Continued)**

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating Revenue	\$ 2,956,232
Depreciation and amortization expense	(416,703)
Other operating expense	<u>(1,625,427)</u>
Operating income	<u>914,102</u>

Nonoperating revenues (expenses):

Interest income	9,756
Interest expense	<u>(301,229)</u>
Change in net assets	622,629
Beginning net assets	<u>1,840,840</u>

Ending net assets \$ 2,463,469

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 1,240,335
Capital financing activities	(992,841)
Investing activities	<u>9,756</u>
Net increase (decrease)	257,250
Beginning cash and cash equivalents	<u>2,008,503</u>

Ending cash and cash equivalents \$ 2,265,753

**Cowley County Community College and Area Vocational-Technical School  
Notes to Financial Statements (Continued)**

**13. PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2011, the following affected the beginning net assets of the College:

Corrections were made to accurately reflect the interest payable of the College at June 30, 2010.	\$ (158,828)
Corrections were made to reflect the beginning balance and related accumulated amortization of the certificates of participation and bond issue costs of the College at June 30, 2010.	166,033
Corrections were made to reflect the beginning balance and related accumulated amortization of bond premium of the College at June 30, 2010.	124,821
Corrections were made to adjust prior period receivable regarding the WATC equipment agreement of the College at June 30, 2010.	3,500,000
Corrections were made to adjust the Student Accounts Receivable of the College at June 30, 2010.	2,159,424
Corrections were made to adjust Allowance for Uncollectable Debt of the College at June 30, 2010.	(1,080,000)
Corrections were made to the capital asset records to reflect the assets of the College at June 30, 2010 due to the change in the College's policy of recognizing and depreciating capital assets at \$5,000 and above.	(7,390,244)
Corrections were made to the capital asset records for Accumulated Depreciation to reflect the assets of the College at June 30, 2010 due to the change in the College's policy of recognizing and depreciating capital assets at \$5,000 and above.	<u>5,786,735</u>
Total prior period adjustment on Statement of Revenues, Expenses, and Changes in Net Assets	<u>\$ 3,107,941</u>

The net prior period adjustment is shown as an increase in beginning net assets in the Statement of Revenues, Expenses, and Changes in Net Assets.

REQUIRED SUPPLEMENTARY INFORMATION

**Cowley County Community College and Area Vocational-Technical School**

**Other Post Employment Benefits  
Year Ended June 30, 2011**

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b-a)/c)</u>
07/01/08	\$ -	\$ 1,502,502	\$ 1,502,502	0%	\$ 7,548,810	19.9%

Schedule of Employer Contributions:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/09	\$ 261,051	\$ 29,808	\$ 231,243
06/30/10	\$ 261,051	\$ 2,028	\$ 494,322
06/30/11	\$ 261,051	\$ 53,365	\$ 702,008

Information for earlier years is not available as June 30, 2009 is the first year of implementation of GASB No. 45.

**SUPPLEMENTARY INFORMATION**

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
General Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Student sources	\$ 5,179,450	\$ 5,179,450	\$ 6,463,955	\$ 1,284,505
Federal sources	141,356	141,356	139,639	(1,717)
State sources	5,810,287	5,810,287	6,608,174	797,887
Local sources	4,723,888	4,723,888	4,938,433	214,545
Other sources	689,000	689,000	695,774	6,774
<b>Total Cash Receipts</b>	<b><u>\$16,543,981</u></b>	<b><u>\$16,543,981</u></b>	<b><u>18,845,975</u></b>	<b><u>\$ 2,301,994</u></b>
<u>Expenditures and Transfers Subject to Budget</u>				
Instruction	\$ 7,700,000	\$ 7,700,000	7,365,168	\$ (334,832)
Academic support	750,000	750,000	597,339	(152,661)
Student services	3,800,000	3,800,000	3,498,761	(301,239)
Institutional support	3,350,000	3,350,000	2,458,515	(891,485)
Operation and maintenance	4,850,000	4,850,000	4,505,797	(344,203)
Scholarships	425,000	425,000	256,685	(168,315)
Nonmandatory transfers in (out)	55,000	55,000	38,383	(16,617)
<b>Total Expenditures and Transfers Subject to Budget</b>	<b><u>\$20,930,000</u></b>	<b><u>\$20,930,000</u></b>	<b><u>18,720,648</u></b>	<b><u>\$ (2,209,352)</u></b>
Receipts Over (Under) Expenditures			125,327	
Unencumbered Cash, July 1			<u>8,175,337</u>	
Unencumbered Cash, June 30			<u>\$ 8,300,664</u>	
Unencumbered Cash, June 30			\$ 8,300,664	
Receivables			4,399,695	
Accrued sick leave			(22,412)	
Accrued vacation			(134,055)	
Accrued other post employment benefits			(702,008)	
GAAP fund balance			<u>\$11,841,884</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Education Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Federal sources	\$ 73,688	\$ 73,688	\$ 93,688	\$ 20,000
State sources	39,306	39,306	39,306	-
Local sources	35,000	35,000	35,000	-
Other sources	150,000	150,000	159	(149,841)
Total Cash Receipts	<u>\$ 297,994</u>	<u>\$ 297,994</u>	<u>168,153</u>	<u>\$ (129,841)</u>
<u>Expenditures Subject to Budget</u>				
Instruction	<u>\$ 311,084</u>	<u>\$ 311,084</u>	<u>160,098</u>	<u>\$ (150,986)</u>
Receipts Over (Under) Expenditures			8,055	
Unencumbered Cash, July 1			<u>13,091</u>	
Unencumbered Cash, June 30			<u>\$ 21,146</u>	
Unencumbered Cash, June 30			\$ 21,146	
Receivables			<u>-</u>	
GAAP fund balance			<u>\$ 21,146</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Supplementary Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Student sources	\$ 225,000	\$ 225,000	\$ 14,377	\$ (210,623)
State sources	-	-	25,000	25,000
Other sources	-	-	19,153	19,153
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Cash Receipts	<u>\$ 225,000</u>	<u>\$ 225,000</u>	58,530	<u>\$ (166,470)</u>
<u>Expenditures Subject to Budget</u>				
Instruction	<u>\$ 253,788</u>	<u>\$ 253,788</u>	40,081	<u>\$ (213,707)</u>
Receipts Over (Under) Expenditures			18,449	
Unencumbered Cash, July 1			<u>28,789</u>	
Unencumbered Cash, June 30			<u>\$ 47,238</u>	
Unencumbered Cash, June 30			\$ 47,238	
Receivables			<u>-</u>	
GAAP fund balance			<u>\$ 47,238</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Motorcycle Driver Safety Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Student sources	\$ 45,000	\$ 45,000	\$ 16,008	\$ 28,992
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 65,000	\$ 65,000	13,707	\$ (51,293)
Receipts Over (Under) Expenditures			2,301	
Unencumbered Cash, July 1			-	
Unencumbered Cash, June 30			\$ 2,301	
Unencumbered Cash, June 30			\$ 2,301	
Receivables			-	
GAAP fund balance			\$ 2,301	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Bookstore Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Sales	\$ 2,500,000	\$ 2,500,000	\$ 2,072,939	\$ 427,061
Other income	-	-	176,780	(176,780)
Total Cash Receipts	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>2,249,719</u>	<u>\$ 250,281</u>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 150,000	\$ 150,000	97,866	\$ 52,134
General operating expenses	250,000	250,000	152,672	97,328
Supplies	25,000	25,000	88,745	(63,745)
Cost of goods sold	3,013,746	3,013,746	1,658,356	1,355,390
Transfer	-	-	1,000,000	(1,000,000)
Total Expenditures Subject to Budget	<u>\$ 3,438,746</u>	<u>\$ 3,438,746</u>	<u>2,997,639</u>	<u>\$ 441,107</u>
Receipts Over (Under) Expenditures			(747,920)	
Unencumbered Cash, July 1			<u>960,258</u>	
Unencumbered Cash, June 30			<u>\$ 212,338</u>	
Unencumbered Cash, June 30			\$ 212,338	
Receivables			-	
GAAP fund balance			<u>\$ 212,338</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Housing Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final
			Budgetary	Budget
			Basis	Over
				(Under)
<u>Cash Receipts</u>				
Sales	\$ 2,900,000	\$ 2,900,000	\$ 1,758,716	\$ 1,141,284
Other income	-	-	116,686	(116,686)
Total Cash Receipts	<u>\$ 2,900,000</u>	<u>\$ 2,900,000</u>	<u>1,875,402</u>	<u>\$ 1,024,598</u>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 250,000	\$ 250,000	202,830	\$ 47,170
General operating expenses	1,000,000	1,000,000	9,507	990,493
Supplies	75,000	75,000	198,098	(123,098)
Cost of goods sold	438,087	438,087	729,052	(290,965)
Equipment	250,000	250,000	2,300	247,700
Transfer	1,000,000	1,000,000	483,600	516,400
Total Expenditures Subject to Budget	<u>\$ 3,013,087</u>	<u>\$ 3,013,087</u>	<u>1,625,387</u>	<u>\$ 1,387,700</u>
Receipts Over (Under) Expenditures			250,015	
Unencumbered Cash, July 1			<u>117,929</u>	
Unencumbered Cash, June 30			<u>\$ 367,944</u>	
Unencumbered Cash, June 30			\$ 367,944	
Receivables			-	
GAAP fund balance			<u>\$ 367,944</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Cosmetology Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Sales	\$ 120,000	\$ 120,000	\$ 52,850	\$ 67,150
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 30,000	\$ 30,000	23,815	\$ 6,185
Supplies	60,000	60,000	12,880	47,120
Cost of goods sold	109,932	109,932	37,124	72,808
Total Expenditures Subject to Budget	\$ 199,932	\$ 199,932	73,819	\$ 126,113
Receipts Over (Under) Expenditures			(20,969)	
Unencumbered Cash, July 1			80,279	
Unencumbered Cash, June 30			\$ 59,310	
Unencumbered Cash, June 30			\$ 59,310	
Receivables			-	
GAAP fund balance			\$ 59,310	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Wellness Center Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Sales	\$ 85,000	\$ 85,000	\$ 17,885	\$ 67,115
Other income	<u>150,000</u>	<u>150,000</u>	<u>85,290</u>	<u>64,710</u>
Total Cash Receipts	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>103,175</u>	<u>\$ 131,825</u>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 80,000	\$ 80,000	\$ 79,508	\$ 492
General operating expenses	135,000	135,000	-	135,000
Supplies	20,000	20,000	7,195	12,805
Equipment	<u>-</u>	<u>-</u>	<u>840</u>	<u>(840)</u>
Total Expenditures Subject to Budget	<u>\$ 235,000</u>	<u>\$ 235,000</u>	<u>87,543</u>	<u>\$ 147,457</u>
Receipts Over (Under) Expenditures			15,632	
Unencumbered Cash, July 1			<u>-</u>	
Unencumbered Cash, June 30			<u>\$ 15,632</u>	
Unencumbered Cash, June 30			\$ 15,632	
Receivables			<u>-</u>	
GAAP fund balance			<u>\$ 15,632</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Athletics Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Student sources	<u>\$ 600,000</u>	<u>\$ 600,000</u>	\$ 512,650	<u>\$ 87,350</u>
<u>Expenditures Subject to Budget</u>				
General operating expenses	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>512,650</u>	<u>\$ 87,350</u>
Receipts Over (Under) Expenditures			-	
Unencumbered Cash, July 1			-	
Unencumbered Cash, June 30			<u>\$ -</u>	
Unencumbered Cash, June 30			\$ -	
Receivables			-	
GAAP fund balance			<u>\$ -</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Capital Outlay Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Private gifts	<u>\$ 350,000</u>	<u>\$ 350,000</u>	\$ 14,000	<u>\$ 336,000</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Plant equipment and facility	<u>\$ 350,000</u>	<u>\$ 350,000</u>	-	<u>\$ (350,000)</u>
Receipts Over (Under) Expenditures			14,000	
Unencumbered Cash, July 1			-	
Unencumbered Cash, June 30			<u>\$ 14,000</u>	
Unencumbered Cash, June 30			\$ 14,000	
Receivables			-	
GAAP fund balance			<u>\$ 14,000</u>	

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Special Assessment Fund  
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>	\$ -	\$ -	\$ -	\$ -
<u>Expenditures Subject to Budget</u>				
Plant equipment/facility	\$ 87,737	\$ 87,737	247	\$ (87,490)
Receipts Over (Under) Expenditures			(247)	
Unencumbered Cash, July 1			<u>87,737</u>	
Unencumbered Cash, June 30			\$ <u>87,490</u>	
Unencumbered Cash, June 30			\$ 87,490	
Receivables			<u>-</u>	
Balance per internal books			\$ <u>87,490</u>	

**Cowley County Community College and Area Vocational-Technical School**

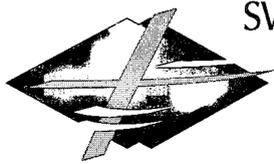
**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Program or Award Amount</u>	<u>Disbursements/ Expenditures</u>
<u>Department of Education</u>				
Direct Programs:				
TRIO Student Support Services 09-10	84.042A	P042A060039-9	\$ 305,427	\$ 84,230
TRIO Student Support Services 10-11	84.042A	P042A060039-10	290,516	248,262
TRIO Upper Bound Program	84.047A	P047A070634-9	250,000	47,049
TRIO Upper Bound Program	84.047A	P047A070634-10	250,000	200,309
Supplemental Education Opportunity Grant	84.007	P007A091519	46,190	46,190
Federal Work-Study Program	84.033	P033A091519	77,845	88,147
PELL Grant 10-11	84.063	P063P090142	8,284,860	8,284,860
Federal Direct Student Loan	84.268	P268K100142	9,724,244	9,724,244
Academic Competitiveness Grant	84.375	P375A090142	23,125	23,125
Passed Through Kansas Board of Regents:				
Adult Education - Basic Grants to States	84.002		73,688	73,688
ARRA - State Fiscal Stabilization Fund	84.394	S394A090017	950,656	985
Career and Technical Education - Basic Grants to States	84.048		141,356	139,639
Total Department of Education				<u>18,960,728</u>
<u>Department of Commerce</u>				
Passed Through Kansas Department of Commerce:				
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	GJ-20033-10-60-A-20	45,000	25,803
Total Department of Commerce				<u>25,803</u>
Total Federal Financial Assistance Expended				<u>\$ 18,986,531</u>

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Federal Work-Study Programs has expenditures in excess of the award amount. This is due to administrative fees in the amount of \$5,311. Administrative fees are allowed to be charged to the grant and are reimbursed by the federal government and are therefore included in the above expenditures.

Note 3 - Federal Work-Study and Supplemental Education Opportunity Grant both have expenditures in excess of the award amount. Both grants had matching requirements met by the College. Work-Study had \$27,612 matched by the College. SEOG had \$14,434 matched by the College. As required, neither of these non-federal dollars are included in the expenditures shown above.



SWINDOLL  
JANZEN  
HAWK &  
LOYD, LLC

Celebrating *75<sup>th</sup>*  
Our Anniversary  
1936 - 2011

B. Carver Swindoll, CPA  
Keith S. Janzen, CPA  
Kyle J. Hawk, CPA, CMAP  
D. Scot Loyd, CPA, CGFM  
Chet L. Buchman, CPA, CVA

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

**Board of Trustees**

Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas

We have audited the financial statements of Cowley County Community College and Area Vocational-Technical School and its discretely presented component unit as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Cowley County Community College Endowment Association were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, listed as item 11-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency, listed as item 11-2.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 11-3.

We noted certain matters that we reported to management of the College, in a separate letter dated December 15, 2011.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on it.

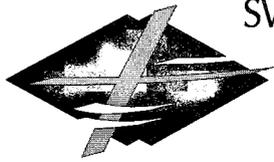
This report is intended solely for the information and use of management, Board of Trustees, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC

December 15, 2011



SWINDOLL  
JANZEN  
HAWK &  
LOYD, LLC

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Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas

**Compliance**

We have audited the compliance of Cowley County Community College and Area Vocational-Technical School (College) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of College's major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Cowley County Community College and Area Vocational-Technical School, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 11-3.

## Internal Control Over Compliance

The management of Cowley County Community College and Area Vocational-Technical School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Trustees, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, and Loyd, LLC

December 15, 2011

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Cowley County Community College and Area Vocational-Technical School.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*. One of the deficiencies is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Cowley County Community College and Area Vocational-Technical School were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs were reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expressed an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

	<u>CFDA No.</u>
Student Financial Aid Programs:	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal PELL Grant Program	84.063
Federal Direct Student Loan Program	84.268
Academic Competitiveness Grant	84.375
TRIO Student Support Services	84.042A
TRIO Upper Bound Program	84.047A
8. The threshold for distinguishing Types A and B program was \$300,000.
9. Cowley County Community College and Area Vocational-Technical School was not a low-risk auditee.

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

11-1 Prior Period Adjustments

**Condition:** There were multiple prior period adjustments made to the beginning net assets of the financial statements. These were due to the recognition of student accounts receivable and the related allowance for doubtful accounts, and the Wichita Area Technical College accounts receivable. Also included was the change in depreciation policy to change the level at which assets were reported and depreciated to \$5,000. The net effect was an additional \$3 million to net assets.

**Criteria:** As required by Generally Accepted Accounting Principles, when reporting under accrual based accounting, revenues are required to be recorded when earned, regardless of when cash is received.

**Cause:** Student Accounts Receivable and the WATC receivable were not recorded in prior years.

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

11-1 Prior Period Adjustments (cont.)

**Effects:** If receivables are not recorded, than potentially, revenues are understated.

**Recommendation:** We recommend that receivables are recorded for financial statement purposes

**Response:** Management agrees and will record for financial statement purposes.

SIGNIFICANT DEFICIENCIES

11-2 Capital Assets

**Condition:** During our review of capital assets we noted that there were multiple asset additions found when reviewing the general ledger equipment accounts that were not included in the capital asset database. These assets were purchased and located at the Winfield campus. During the site field test, we also noticed that the asset tags were not located on several pieces of equipment, i.e. Mowers, tractors, sprayers, and security system.

**Criteria:** Part of a strong internal control system in the area of capital assets is ensuring that the database is complete as well as the ability to identify and locate the assets in the database.

**Cause:** Asset additions at Winfield location were missed when updating the capital asset database. Asset tags are hard to keep on mobile and heavily used equipment.

**Effect:** Capital assets could potential be materially understated. Assets without tags are more susceptible to misuse and potentially theft.

**Recommendation:** We recommend that an inventory is taken on the Winfield site and that the location's information is up to date and complete in the College's database. We also recommend that since the tag is the primary device of tracking and identifying various equipment as belonging to the College, that all assets have the tag easily visible on the equipment.

**FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

11-3 Student Financial Assistance – CFDA No. 84.268  
Award Period – 7/1/10 to 6/30/11  
Compliance Issue – Special tests – Return of Title IV funds.

**Condition:** The College did not determine the withdrawal date for students who withdrew without providing notification within the required 30 days.

**Criteria:** The College must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the: (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

**Effect:** Funds potentially would not be returned, or not returned in a timely manner.

**Recommendation:** We recommend that the College determine that a student withdrew within the 30 day compliance requirement.

**Response by management:** Management agrees with this finding. They will make determination within 30 days.

**Cowley County Community College and Area Vocational-Technical School**

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2011**

There were no reportable findings for the year ended June 30, 2010.